GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA

UNSTARRED QUESTION NO:960
ANSWERED ON:27.07.2015
Review of Turnaround Plan of Air India
Kothapalli Smt. Geetha;Lakhanpal Shri Raghav

Will the Minister of CIVIL AVIATION be pleased to state:

(a) whether the Government has reviewed the turnaround plan of Air India and if so, the details thereof along with the details of consolidated net losses of Air India for 2014-2015;

(b) whether the Government has not been able to reduce the losses despite substantial savings in the fuel bill and if so,the reasons therefor;

(c) whether the revenue of Air India was lower despite increasing passenger feed from Star Alliance partner airlines;

(d) if so, the reasons for increase in engineering and maintenance costs; and

(e) whether this a case of mismanagement of funds due to which on one side revenue has decreased but maintenance costs have increased and if so, the corrective measures taken in this regard?

Answer

Minister of State in the Ministry of CIVIL AVIATION

(Dr Mahesh Sharma)

(a) : The Turn Around Plan (TAP)/ Financial Restructuring Plan (FRP) approved by Cabinet Committee of Economic Affairs (CCEA) for Air India (AI) provided that equity would be infused by the Government subject to achievement of certain laid down milestones. In compliance with TAP/ FRP, an Oversight Committee has been set up under the Chairmanship of Secretary, Ministry of Civil Aviation with Expenditure Secretary, Additional Secretary and Financial Adviser, Ministry of Civil Aviation, Joint Secretary of Ministry of Civil Aviation and SBI Caps as members, to monitor the Operational and Financial Performance of Air India vis-a-vis the milestones set under TAP/ FRP. Meetings of the Oversight Committee are held every three months. So far, eleven meetings of Oversight Committee have been held.

Some of the milestones laid down under TAP/FRP relate to improvement in On Time Performance (OTP), Passenger Load Factor (PLF), Yield (RS/PKM), Fleet Utilization, abolition of Productivity Linked Incentive, monetization of assets, hiving off of the Ground handling activity, Maintenance/repair activity of Air India into two independent subsidiary companies.

The Company has achieved the Targets set out in the TAP milestones, and has made substantial progress in both Operational as well as
Financial Areas. The main areas in which the company has registered improvements in FY 2014-15 in comparison to FY 2011-12 when the TAP was initiated are Annexed.

(b) : No, Madam. Since the implementation of TAP/FRP, the Operating loss has reduced from Rs.5138.69 crores in 2011-12 to Rs.2171.40 crores in 2014-15, and Net Loss has reduced from Rs.7559.74 crores in 2011-12 to Rs.5547.40 crores in 2014-15.

(c) : No, Madam. The Passenger Revenue as well as the Total Revenue has been consistently increasing over the past few years.The Total
Revenue has increased to Rs. 19718 crores during 2014-15 as against Rs.14713.81 crores in 2011-12..The additional feed from Star Alliance partner members has also helped the company in this direction.

(d) : There has been a normal increase in the Aircraft Maintenance Costs over the past few years. The Aircraft Maintenance Costs has increased from Rs.830.81 crores in 2012-13 to Rs.1445.00 crores in 2014-15.

The increase in Maintenance Cost is due to the fact that though the company is in the process of induction of new aircraft, however, there are a number of old vintage aircraft with the company which require regular maintenance to keep them in flying condition. However, this increase in aircraft maintenance expenditure needs to be seen in the context of the increase in the scale of operations of the company in terms of Average Seat Kilometers (ASKMs) over the similar period which have gone up by almost 30%.

(e) : No, Madam. There has been consistent improvement in the Passenger Revenue and Total Revenue being posted by the company.
Further, there has been only a normal increase in aircraft maintenance expenditure which is essential to keep the aircraft in airworthy flying condition.

The Company has also achieved the Targets set out in the TAP Milestones. In fact, there has been an overall improvement in both Operational and Financial Performance of the company due to which there is a gradual decline in the Operating Losses as well as Net Losses of the company over the past few years. The same has resulted in Air India turning EBITDA positive in 2012-13.

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